

IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

U. S. DISTRICT COURT
SOUTHERN DISTRICT OF TEXAS
FILED
8-31-04
MICHAEL N. MILBY, CLERK
DEPUTY

UNITED STATES OF AMERICA,

Plaintiff,

v.

KEVIN P. HANNON,

Defendant.

No. CR-H-03-0093-04
(Gilmore, J)

COOPERATION AGREEMENT

Pursuant to Rule 11 of the Federal Rules of Criminal Procedure, the United States Department of Justice by the Enron Task Force ("the Department") and Kevin P. Hannon ("Defendant") agree to the following (the "Agreement"):

1. Defendant will plead guilty to Count 1 of the above-captioned Fourth Superseding Indictment charging him with conspiracy to commit securities and wire fraud in violation of 18 U.S.C. § 371. Defendant agrees that he is pleading guilty because he is guilty, and that the facts contained in Exhibit A (attached and incorporated herein) are true and supply a factual basis for his plea. At the time it was committed by Defendant, the crime of conspiracy to commit securities and wire fraud carried the following statutory penalties:

- a. Maximum term of imprisonment: 5 years
(18 U.S.C. § 371)
- b. Minimum term of imprisonment: 0 years
(18 U.S.C. § 371)
- c. Maximum term of supervised release: 3 years, to follow any term of imprisonment; if a condition of release is violated, Defendant may be sentenced to up to two years without credit for pre-release imprisonment

GOVERNMENT
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or time previously served on post-release supervision
(18 U.S.C. §§ 3583 (b) & (e))

- d. Maximum fine: \$250,000 or twice the gain/loss
(18 U.S.C. § 3571(b)(3))
- e. Restitution: As determined by the Court pursuant to statute
(18 U.S.C. §§ 3663 and 3663A)
- f. Special Assessment: \$100
(18 U.S.C. § 3013)

Sentencing Guidelines

2. The Defendant agrees that his sentence is governed by the United States Sentencing Guidelines (the "Guidelines"), to the extent that they may be constitutionally applied to the Defendant. Additionally, the Defendant (a) waives any right to have facts that determine the offense level¹ under the Guidelines alleged in an indictment and found by a jury beyond a reasonable doubt, (b) agrees that the facts that determine the offense level will be found by the court at sentencing by a preponderance of the evidence, unless it is determined that this burden of proof cannot be waived, and that the court may consider any reliable evidence, including hearsay, and (c) waives any constitutional challenge to the validity of the Guidelines. The parties agree that Defendant's sentence is governed by the November 2000 Sentencing Guidelines Manual and that U.S.S.G. § 2F1.1 governs the determination of the applicable offense level and sentence, capped by the statutory maximum of 60 months. The Department agrees, based on information known to it on the date of this Agreement, that it will not oppose a downward adjustment of three levels for acceptance of responsibility pursuant to U.S.S.G. § 3E1.1. The Department and

¹The term "offense level" includes the base offense level plus all specific offense characteristics, enhancements and adjustments.

Defendant agree that the applicable Guidelines range exceeds the maximum statutory term of imprisonment of 60 months. USSG § 5G1.1(a).

3. The Department will advise the Court and the Probation Office of information relevant to sentencing, including criminal activity engaged in by Defendant, and all such information may be used by the Court in determining Defendant's sentence. Defendant understands that the parties' positions regarding the Guidelines do not bind the Court and that the sentence imposed is within the discretion of the sentencing judge.

Waiver of Rights

4. Defendant will not appeal or collaterally attack his conviction, guilty plea, or sentence.

5. Defendant waives all defenses based on venue (but reserves the right to request a change of venue if his plea is vacated or plea withdrawn), speedy trial under the Constitution and Speedy Trial Act, and the statute of limitations with respect to any prosecution that is not time-barred on the date that this Agreement is signed, in the event that (a) Defendant's conviction is later vacated for any reason, (b) Defendant violates any provision of this Agreement, or (c) Defendant's plea is later withdrawn.

6. Defendant understands that by pleading guilty he is waiving important rights including: (a) the right to persist in his previously entered plea of not guilty; (b) the right to a jury trial with respect to guilt or sentencing; (c) the right to be represented by counsel at trial and at pre-trial proceedings and if necessary to have the court appoint counsel to represent him; (d) the right at trial to confront and cross-examine adverse witnesses, to be protected from compelled self-incrimination, to testify and present evidence, and to compel the attendance of witnesses;

and (e) the right to additional discovery and disclosures from the Department. Defendant waives any right to additional disclosure from the Department except with regard to sentencing.

Defendant's Obligations

7. Defendant will provide truthful, complete, and accurate information to and will cooperate fully with, the Department, both before and after he is sentenced. This cooperation will include, but is not limited to, the following:

- a. Defendant agrees to be fully debriefed and to make himself available at all meetings at which his presence is required by the Department. Defendant agrees to respond truthfully and completely to any and all questions put to him concerning his part in or knowledge of all criminal activities whether in interviews, before a grand jury, or at any trial or other proceeding.
- b. Defendant waives all claims of attorney-client privilege related to communications with any counsel for Enron in his capacity as an officer and employee of Enron.
- c. Defendant agrees to provide any and all documents and other material that may be relevant to the investigation and that are in his possession or control.
- d. Except as required by law, Defendant agrees not to reveal any information derived from his cooperation to any third party (other than his counsel) without prior consent of the Department, and hereby instructs his attorneys to do the same. Defendant agrees to inform the Department of any attempt by any third party to interview, depose, or communicate in any way with him regarding this case, his cooperation, or any other information related to Enron or transactions involving Enron.
- e. Defendant agrees to testify truthfully at any grand jury, court, or other proceeding as directed by the Department.
- f. Defendant consents to adjournments of his sentencing hearing as requested by the Department and agrees that his obligations under this Agreement continue until the Department informs him in writing that his cooperation is concluded.

8. The Department and Defendant agree that Defendant's counsel may be present at

any meetings or debriefings between Defendant and the Department, and the Department will endeavor to provide reasonable notice of such meetings or debriefings, but counsel's presence is not required and, if necessary, Defendant agrees to be present and cooperate notwithstanding his counsel's unavailability.

9. Defendant agrees not to accept remuneration or compensation of any sort, directly or indirectly, for the dissemination through books, articles, speeches, interviews, or any other means, of information regarding his work at Enron or the investigation or prosecution of any civil or criminal cases against him.

The Department's Obligations

10. The Department agrees that, except as provided in paragraphs 1, 5 and 25, no further forfeiture proceedings will be brought against the property under the control of the Defendant and his wife, and no further criminal charges will be brought against the Defendant for any heretofore disclosed participation in criminal activity. The Department further agrees that, after sentencing of the Defendant, it will move to dismiss the remaining counts of the Fourth Superseding Indictment and any underlying indictments with prejudice.

11. The Department further agrees that no statements made by Defendant during the course of his cooperation will be used against him in any criminal proceedings instituted by the Department, except as provided in paragraphs 1, 3, 5 and 25.

12. The Department agrees that, provided Defendant fulfills the financial obligations imposed by this Agreement and otherwise complies with this Agreement, it will take no position with respect to the imposition of an additional fine, forfeiture or restitution to be ordered by the Court against Defendant at the time Defendant is sentenced. Defendant understands that the

Court or the Probation Department may order Defendant to pay an additional fine, forfeiture or restitution. Should the Court order Defendant to pay additional forfeiture sums, restitution or a fine, he will not be permitted on that basis to withdraw his guilty plea.

13. If the Department determines, in its sole and exclusive discretion, that Defendant has cooperated fully, provided substantial assistance to law enforcement authorities, and otherwise complied with the terms of this Agreement, the Department will file a motion pursuant to U.S.S.G. § 5K1.1 and 18 U.S.C. § 3553(e), or pursuant to Federal Rule of Criminal Procedure 35(b), with the sentencing court setting forth the nature and extent of Defendant's cooperation. In this connection, Defendant understands that a determination by the Department as to whether Defendant has cooperated fully, provided substantial assistance, and otherwise complied with this Agreement, as well as the Department's assessment of the value, truthfulness, completeness, and accuracy of the cooperation, is binding on him. Defendant agrees that, in making these determinations, the Department may consider facts learned by the Department both before and after the signing of this Agreement. The Department may or may not, in its sole and exclusive discretion, recommend to the Court a specific sentence to be imposed. Except as otherwise set forth in this Agreement, the Department will not make a promise or representation to Defendant as to what sentence will be recommended by the Department. The Department does not and cannot make any promise as to what sentence will be imposed by the Court.

Forfeiture and Monetary Penalties

14. Defendant agrees to pay the special assessment of \$100 by check payable to the Clerk of the Court at or before sentencing. 18 U.S.C. § 3013(a)(2)(A); U.S.S.G. § 5E1.3.

15. Defendant agrees to forfeit to the government \$2.2 million, to be satisfied from

the following funds located within Northwestern Mutual Investment Services, LLC Account No. 4029-2498, held at Robert W. Baird & Co. in the name of Christine M. Hannon, which contains sufficient funds for this purpose and which constitutes proceeds of the offense to which Defendant will plead guilty pursuant to this Agreement. The \$2.2 million to be forfeited from this account shall be satisfied from the following assets, up to \$2.2 million:

- (a) \$25,609.82 held in the General Money Market Fund;
- (b) 9,908.082 shares of the Capital World Growth & Income Fund;
- (c) 41,785.025 shares of the Limited Term Tax Exempt Bond Fund America;
- (d) 46,290.66 share of the Mason Street High Yield Class A Fund;
- (e) 24,198.583 shares of the Mason Street Municipal Class A fund;
- (f) 2,864.601 shares of the Tax Exempt Bond Fund of America Income Class A (AFTEX);
- (g) 48,712.223 shares of the Pimco Funds Low Duration Fund Class A;
- (h) 16,109.015 shares of the American Balanced Fund;
- (i) 5,877.101 shares of the Capital Income Builder Fund Class A; and
- (j) 16,649.431 shares of the Income Fund of America Inc. Class A;

The \$2.2 million in assets listed in paragraph 15(a) - (j) are hereinafter referred to as the "Forfeited Assets."

16. Defendant further agrees to withdraw and relinquish for all purposes, and not re-institute directly or indirectly, his claim to \$8,000,250 contained in the Proof of Claim in In re Enron Corp. et al. (01-16034) in the United States Bankruptcy Court for the Southern District of New York, as well as any other claim for deferred compensation, severance, and any other form

of payment related to his employment by Enron or any related entity. Further, Defendant has entered into a separate agreement with the United States Securities and Exchange Commission (the "SEC Settlement"). As part of the SEC Settlement, Defendant has agreed to pay a \$1 million civil penalty and \$100.00 disgorgement. It is a condition of this Agreement that the amount of \$1,000,100.00 will be paid as directed in the SEC Settlement.

17. Defendant warrants that he and/or his wife, Christine Hannon, are the sole owners of all of the Forfeited Assets, and they agree to hold the United States, its agents and employees harmless from any claims whatsoever in connection with the seizure or forfeiture of the Forfeited Assets. Defendant's wife, Christine Hannon, also agrees to waive her right, title, and interest in the Forfeited Assets, and her execution of the attached waiver and representation form, a copy of which is attached hereto and incorporated herein, is a condition precedent of this Agreement.

18. Defendant agrees that he will not contest the forfeiture of the \$2.2 million in Forfeited Assets in connection with the related civil forfeiture action in Civ. No. 03-CV-1451, United States v. Contents of Charles Schwab Account No. 3066-5660, and to assist fully the government in effectuating the surrender of the Forfeited Assets. Defendant's wife, Christine Hannon, also agrees to sign a stipulation of settlement, waiving her claim to the \$2.2 million in the above-referenced civil action, as well as any right, title, and interest she has or may have in the properties. Her entering into the stipulation of settlement is a condition precedent of this Agreement.

19. The Government will promptly withdraw and release its claim to any balance in excess of \$2.2 million remaining in Northwestern Mutual Investment Services, LLC Account No. 4029-2498, as well as any amounts in Charles Schwab account number 3066-5660.

20. The Government will further withdraw its notice of lis pendens against the real property located at 251 Hedwig Road, Houston, TX 77024, the legal description for which is as follows:

Lot 2, of Piney Oaks Estates, an addition in Harris County, Texas, according to the map or plat thereof recorded in Film Code No. 357032 of the Map Records of Harris County, Texas, together with all the improvements and fixtures located thereon.

21. Defendant further waives all interest in the Forfeited Assets in any administrative or judicial forfeiture proceeding, whether criminal or civil, state or federal. Defendant agrees to consent to the entry of orders of forfeiture for such property and waives the requirements of Federal Rules of Criminal Procedure 32.2 and 43(a) regarding notice of the forfeiture in the charging instrument, announcement of the forfeiture at sentencing, and incorporation of the forfeiture in the judgment. Defendant acknowledges that he understands that the forfeiture of assets is part of the sentence that may be imposed in this case and waives any failure by the Court to advise him of this, pursuant to Rule 11(b)(1)(J), at the time his guilty plea is accepted.

22. Defendant knowingly and voluntarily agrees to waive his right to a jury trial on the forfeitability of the Forfeited Assets, and to waive all constitutional and statutory challenges in any manner (including direct appeal, habeas corpus, or any other means) to any forfeiture carried out in accordance with this agreement on any grounds, including that the forfeiture constitutes an excessive fine or punishment or that it violates the Ex Post Facto Clause of the Constitution.

23. Defendant agrees to take all steps as requested by the United States to pass clear title to the Forfeited Assets to the United States, and to testify truthfully in any judicial forfeiture

proceeding. Defendant agrees not to seek a refund from the United States Treasury of the amount that he paid in taxes in connection with the receipt of the above-listed proceeds from the offense to which he will plead guilty, and waives his right, title, and interest to the taxes paid on that amount.

Bankruptcy Waiver

24. Defendant agrees not to avoid or attempt to avoid paying any fine or restitution imposed by the Court in this proceeding through any proceeding pursuant to the United States Bankruptcy Code. Defendant waives all rights, if any, to obtain discharge or to delay payment of any fine or restitution obligation arising from this proceeding or alter the time for payment by filing a petition pursuant to the Bankruptcy Code. Defendant stipulates that enforcement of any fine or restitution obligation arising from this proceeding by the Department is not barred or affected by the automatic stay provisions of the United States Bankruptcy Code and that enforcement of any fine or restitution obligation arising from this proceeding by the Department is a valid exercise of its police or regulatory power within the meaning of Title 11, United States Code, Section 362(b). Defendant stipulates and agrees not to institute or participate in any proceeding to interfere with, alter, or bar enforcement of any fine or restitution obligation arising from this proceeding pursuant to the automatic stay or other provision of the Bankruptcy Code in any case filed by Defendant or his creditors. Upon request of the Department, Defendant will execute a stipulation granting the Department relief from the automatic stay or other Bankruptcy Code provisions in order to enforce any fine or restitution obligation arising from this proceeding. Defendant stipulates that any fine or restitution obligation imposed by the Court in this proceeding is not dischargeable pursuant to Title 11, United States Code, Section 523 in any

case commenced by Defendant or his creditors pursuant to the Bankruptcy Code. Defendant's waivers, stipulations, and agreements set forth in this paragraph are made in exchange for the Department's entering into this Agreement.

Breach of Agreement

25. Defendant must at all times give complete, truthful, and accurate information and testimony, and must not commit, or attempt to commit, any further crimes, including but not limited to perjury, making false statements, and obstruction of justice. Should Defendant violate any provision of this Agreement, Defendant will not be released from his guilty pleas but the Department will be released from all its obligations under this Agreement, including its promise not to prosecute Defendant for any heretofore disclosed participation in criminal activity. Defendant agrees that, in any such prosecution, all statements and other information that he has provided at any time, including all statements he has made and all evidence he has produced during proffers, interviews, testimony, and otherwise, may be used against him, regardless of any constitutional provision, statute, rule, prior agreement, or other term of this Agreement to the contrary.

Hyde Amendment Waiver

26. Defendant agrees that with respect to all charges contained in the Fourth Superseding Indictment and any underlying indictments returned by the grand jury in the above-captioned action, he is not a "prevailing party" within the meaning of the "Hyde Amendment," Section 617, PL 105-119 (Nov. 26, 1997), and will not file any claim under that law.

Scope

27. This Agreement does not bind any federal, state, or local prosecuting authority other

than the Department, and does not prohibit the Department or any other department, agency, or commission of the United States from initiating or prosecuting any civil, administrative, or tax proceedings directly or indirectly involving Defendant.

Complete Agreement

28. Apart from the written proffer agreements dated August 22, and 30, 2004, no promises, agreements or conditions have been entered into by the parties other than those set forth in this Agreement and none will be entered into unless memorialized in writing and signed by all parties. This Agreement supersedes all prior promises, agreements, or conditions between the parties, including the written proffer agreement. To become effective, this Agreement must be signed by all signatories listed below and in the addenda.

Dated: Houston, Texas
August 31, 2004

ANDREW WEISSMANN
Director, Enron Task Force

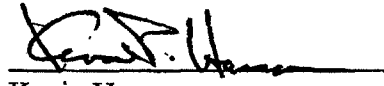
By: *Lisa O. Monaco*
Sean M. Berkowitz
Benton J. Campbell
Lisa O. Monaco
Assistant United States Attorneys
Enron Task Force

Laurel Loomis
Patrick Murphy
Senior Trial Attorneys

Subscribed and sworn to before me on Aug. 31, 2004.
Michael N. Milby, Clerk
United States District Clerk
By: *B. E. Marcus*
Deputy U.S. District Clerk

ADDENDUM FOR DEFENDANT HANNON


I have consulted with my attorneys and fully understand all my rights with respect to the Fourth Superseding Indictment and underlying indictments. I have consulted with my attorneys and fully understand all my rights with respect to the provisions of the U.S. Sentencing Commission's Guidelines Manual which may apply in my case. I have read this Agreement and carefully reviewed every part of it with my attorneys. No promises have been made to me by the Department except as set forth in this Agreement. I understand this Agreement and I voluntarily agree to it.


Kevin Hannon
Defendant


Date

ADDENDUM FOR DEFENSE COUNSEL

I have fully explained to Defendant Kevin P. Hannon his rights with respect to the pending Fourth Superseding Indictment and underlying indictments. I have reviewed the provisions of the U.S. Sentencing Commission's Guidelines Manual and I have fully explained to Mr. Hannon the provisions of those Guidelines which may apply in this case. I have carefully reviewed every part of this Agreement with Mr. Hannon. To my knowledge, Mr. Hannon's decision to enter into this Agreement is an informed and voluntary one.



Reid Figel, Esq.
Attorney for Defendant Hannon

8-30-04
Date

IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

UNITED STATES OF AMERICA,

Plaintiff,

y.

KEVIN P. HANNON.

Defendant.

No. CR-H-03-0093-04
(Gilmore, J)

Exhibit A to Cooperation Agreement

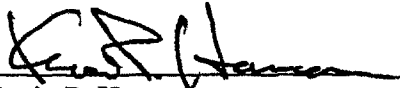
This statement by defendant Kevin P. Hannon is submitted to provide a factual basis for my plea of guilty to Count 1 of the above-captioned Fourth Superseding Indictment.

1. Enron Corporation ("Enron") was an Oregon corporation with its headquarters in Houston, Texas. Among other businesses, Enron was engaged in the purchase and sale of natural gas, construction and ownership of pipelines and power facilities, telecommunications services, and trading in contracts to buy and sell various commodities. Between January 27, 2000 and March 31, 2001, Enron had more than 500,000,000 shares of common stock outstanding. The common stock of Enron was publicly traded on the New York Stock Exchange ("NYSE").
2. I was employed at Enron from 1992 to August 2001. I assumed the position of Chief Operating Officer ("COO") of Enron Broadband Services ("EBS"), Enron's telecommunications subsidiary, approximately one week after the January 20, 2000 Analyst Conference, a position I held until June 2001. I spent the first several months of my tenure as EBS's COO learning about the business and the state of EBS's products and technology. During that time, I learned that the commercial development of EBS' business, and in particular the development and integration of EBS' software and network, were not as advanced as I had been led to believe based on statements made at the January 20, 2000 Analyst Conference. Throughout the year 2000, I and others at EBS worked hard to catch up with representations that had been made about EBS at the January 2000 Analyst Conference.
3. In late 2000, I was directed by my superiors at EBS and Enron Corp. to help prepare the EBS component of Enron's January 25, 2001 Analyst Conference. I and others understood that our superiors at EBS and Enron Corp. expected that the 2001 Analyst

Conference would present a uniformly positive portrayal of EBS. I reached this understanding based on, among other things, my awareness of various public statements made by my superiors to investment analysts and others; my involvement in preparing and presenting EBS' budget for 2001; Enron's approach in prior years to the preparation for and content of Analyst Conference presentations; as well as my discussions with my superiors about the aspects of EBS' business that should be emphasized at the 2001 Analyst Conference. Although I was excited about the prospects for EBS' bandwidth trading business and some of the products that EBS was in the process of developing, it became apparent to me and to others that EBS could not be portrayed in the manner that our superiors expected without omitting material information from the presentation. I participated in drafting the content of the EBS portion of the 2001 Analyst Conference and was aware of the content of the entire presentation before it was given on January 25, 2001, and I gave one portion of the presentation. I made misleading statements and did not correct misleading statements by others in the presentation. Further, neither I nor others supplied to the public the information needed for those statements to be complete.

4. The EBS presentation at the January 25, 2001 Analyst Conference was intentionally misleading and falsely portrayed the company as a commercial and business success. I conspired with other Enron employees to achieve this improper purpose. Certain of those fraudulent statements and omissions are detailed below.
5. Among other things, EBS was portrayed as a developed business when, in reality, the company was still essentially in a start-up phase and had encountered significant commercial and operational hurdles during the year 2000. For instance, by highlighting individual customers at the 2001 Analyst Conference, I and others intentionally created the impression that EBS had successfully developed a market and a customer base for its products. EBS did not, however, possess an established customer base and it had yet to develop sustainable sources of revenue, facts that I and others did not disclose. Various speakers at the January 2001 Analyst Conference also claimed that the Broadband Operating System ("BOS") network control software was operating on the EBS network, including the statement that the BOS was "up and running." Speakers additionally stated that the BOS allowed the company to deliver a number of unique software features. In reality, EBS had significantly changed its strategy with respect to the development of the BOS during the year 2000, and had not yet developed the comprehensive network control software that EBS claimed it possessed at the January 2000 Analyst Conference.
6. These misleading claims and the omitted facts would have been important in my view to a reasonable investment analyst's or investor's decision whether to invest in Enron stock. Our purpose in portraying EBS in this artificially positive light was to justify representations by Enron senior management that investors should attribute significant enterprise value to EBS in connection with the overall price of Enron stock, and thereby to maintain the improperly inflated price of Enron stock.

7. As EBS's COO, I had an obligation to present an accurate and complete portrayal to the investing public. I also had an obligation to correct false or misleading statements made by others. I failed to live up to either obligation. I accept responsibility for making misleading statements at Enron's 2001 Analyst Conference. I accept responsibility for my role in failing to ensure that the presentation about EBS at Enron's 2001 Analyst Conference was complete and accurate in all material respects. I also accept responsibility for my failure to correct statements made by others that conveyed a misleading picture about EBS' products, technology, and business performance, as well as its prospects for future success.
8. I understood that Enron stock was publicly traded on the NYSE. I also understood that interstate wire transmissions, including fax transmissions, email and telephone calls, would be used and were used in furtherance of the scheme discussed above.
9. The preceding is a summary, made for the purpose of providing the Court with a factual basis for my guilty plea to Count 1 of the Fourth Superseding Indictment. It does not include all of the facts known to me concerning criminal activity in which I and other members of Enron's and EBS' senior management engaged. I make this statement knowingly and voluntarily because I am in fact guilty of the crime charged.


Kevin P. Hannon
Defendant


Date

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

UNITED STATES OF AMERICA,

Plaintiff,

v.

Crim. No. H-03-93-01

KENNETH RICE

JOSEPH HIRKO

KEVIN HANNON

KEVIN HOWARD

SCOTT YEAGER

REX SHELBY, and

MICHAEL KRAUTZ,

Defendants.

STIPULATION AND WAIVER

1. I, Christine M. Hannon, hereby agree to waive all right, title, and interest I have in \$2.2 million of the assets in the following funds located within Northwestern Mutual Account Number Investment services, LLC Account No. 4029-2498, held at Robert W. Baird & Co. in the name of Christine M. Hannon:

- (a) \$25,609.82 held in the General Money Market Fund;
- (b) 9,908.082 shares of the Capital World Growth & Income Fund;
- (c) 41,785.025 shares of the Limited Term Tax Exempt Bond Fund America;
- (d) 46,290.66 share of the Mason Street High Yield Class A Fund,
- (e) 24,198.583 shares of the Mason Street Municipal Class A fund;
- (f) 2,864.601 shares of the Tax Exempt Bond Fund of America Income Class A

(AFTEX);

- (g) 48,712.223 shares of the Pimco Funds Low Duration Fund Class A;
- (h) 16,109.015 shares of the American Balanced Fund;
- (i) 5,877.101 shares of the Capital Income Builder Fund Class A; and
- (j) 16,649.431 shares of the Income Fund of America Inc. Class A.

The \$2.2 million in assets listed in paragraph 1(a) - (j) are hereinafter referred to as the "Forfeited Assets."

2. I warrant that I and/or my husband, Kevin P. Hannon, are the sole owners of all of the Forfeited Assets, and agree to hold the United States, its agents and employees harmless from any claims whatsoever in connection with the seizure or forfeiture of the Forfeited Assets.

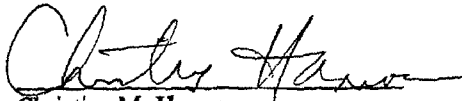
3. I acknowledge that, pursuant to paragraphs 15-23 of the plea agreement in United States v. Kenneth Rice, et al., Cr. No. H-03-93-01, Kevin Hannon has acknowledged that the criminal activities to which he is pleading guilty resulted in \$2.2 million in criminal proceeds, which are located within the monies and accounts referenced above. The monies and accounts referenced above contain in excess of that amount, of which \$2.2 million will be forfeited. I agree to relinquish any and all right, title and interest I may have in these funds, and agree that such right, title and interest can be forfeited to the United States, without further notice to me. I further agree that the Government may select, at its option, the specific assets from the above referenced list from which it will satisfy the amount of \$2.2 million. I will further not contest forfeiture of \$2.2 million in value of those properties identified in items (a) - (j) above that are involved in the related civil forfeiture actions in Civ. No. H-03-1451, United States v. Certain Funds Held In Charles Schwab account no. 3066-5660. I also agree to execute and record any and all documents necessary to transfer \$2.2 million in value of the above property to the United

States as part of a forfeiture judgment.

4. In addition, I agree to waive all right, title, and interest I may have in the claim to \$8,000,250 contained in the Proof of Claim of Kevin P. Hannon in In Re Enron Corp. et al. (01-16034) in the United States Bankruptcy Court for the Southern District of New York, as well as any other claim for deferred compensation, severance, and any other form of payment related to his employment by Enron or any related entity. I understand that Kevin P. Hannon has waived any interest in such a claim as well pursuant to paragraph 16 of his Plea Agreement.

5. I make this stipulation and waiver knowingly and voluntarily.

AGREED AND CONSENTED TO:


Christine M. Hannon

Dated: August 30, 2004